DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 9 7 — 0 2 0

2. STATE: LOUISIANA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
August 1, 1997

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 413.30 and 413.40

7. FEDERAL BUDGET IMPACT:
a. FFY 1996-97 $ (1,181,319.00)
b. FFY 1997-98 $ (6,993,410.00)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-A, Item 1, Pages 5, 6, 7
~~Attachment 4.19-A, Item 1, Page 8c~~

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
SAME (TN 95-31)
~~SAME (TN 95-32)~~

10. SUBJECT OF AMENDMENT: The purpose of this amendment is to alter the percentile at which the components used in the calculation of the rate for long term hospital services are considered.

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED: Governor does not review state plan material.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME: Bobby P. Jindal

14. TITLE: Secretary

15. DATE SUBMITTED: September 25, 1997

16. RETURN TO:
State of Louisiana
Department of Health and Hospitals
1201 Capitol Access Road
P.O. Box 91030
Baton Rouge, LA 70821-9030

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: SEPTEMBER 30, 1997

18. DATE APPROVED: JUNE 6, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: AUGUST 1, 1997

20. SIGNATURE OF REGIONAL OFFICIAL: Sandra Hall

21. TYPED NAME: for CALVIN C. CLINE

22. TITLE: ASSOCIATE REGIONAL ADMINISTRATOR
DIV OF MEDICAID AND STATE OPERATIONS

23. REMARKS: Ren & int changes per State's 5/8/01 letter.

FORM HCFA-179 (07-92)

Instructions on Back

1994), then arrayed by peer group from high to low in order to determine the median cost for the peer group. Fixed capital cost for each hospital/unit above the median was capped at the median. Exception: Long term hospitals are capped at the 30th percentile facility as reported on the as-filed cost report for the hospital cost report year ending between July 1, 1995 through June 30, 1996.

Step 3 - Calculation of blended component.
A blended component for each hospital was calculated comprised of 70% of the peer group median and 30% of the hospital-specific component (capped at the median).

Step 4 - Calculation of capped weighted average.
A capped weighted average for each peer group was calculated by multiplying the per diem cost for each hospital (capped at the median) by the number of Medicaid days provided by the hospital in 1991, adding the products, then dividing the resulting sum by the total number of Medicaid days in 1991 for all hospitals in the group.

Step 5 - Determination of hospital-specific component.
Each hospital's fixed capital cost component was set at the lower of the hospital's blended rate or the capped weighted average for the peer group.

The inflation factor is not applied annually.

b. Medical education cost.

A facility-specific cost component is allowed for any hospital that maintains a program of "Approved Educational Activities" as defined in the *Medicare Provider Reimbursement Manual* § 402.1 and listed in §404. The audit intermediary determines whether the hospital's program qualifies to have medical education costs included in each hospital's rate.

Hospitals which begin new qualifying programs are eligible to have this component included in calculation of the hospital's rate at the beginning of the state fiscal year subsequent to the hospital's valid request for medical education costs to be included, trended forward from the most recent filed cost report year to the current state fiscal year.

The component cost for each hospital that had qualifying program(s) in the hospital's base year cost report was inflated from the midpoint of the base year to the midpoint of the implementation year (December 31, 1994). Costs are inflated for each subsequent year.

STATE Louisiana
DATE RECD 9-30-97
DATE APPVD 6-6-01
DATE EFF 8-1-97
HCFA 179 TN 97-20

c. **Movable equipment cost.** Items considered to be movable equipment are those included in the Medicare Provider Reimbursement Manual §104.4 definition of "Major Movable Equipment".

Step 1 - Peer grouping.
Separate movable equipment cost component caps were established for each general hospital peer group, specialty hospital peer group and specialty unit peer group. In the case of a group with only one hospital, the hospital specific cost is used.

Step 2 - Cap calculation.
Movable equipment cost for each hospital was inflated from the midpoint of the base year to the midpoint of the implementation year (December 31, 1994), then arrayed by peer group from high to low to determine the median cost for the peer group. Movable equipment cost for each hospital/unit above the median was capped at the median. Exception: Long term hospitals are capped at the 30th percentile facility as reported on the as-filed cost report for the hospital cost report year ending between July 1, 1995 through June 30, 1996.

Step 3 - Calculation of blended component.
A blended component for each hospital was calculated comprised of 70% of the peer group median and 30% of the hospital-specific component (capped at the median).

Step 4 - Calculation of capped weighted average.
A capped weighted average for each peer group was calculated by multiplying the per diem cost for each hospital (capped at the median) by the number of Medicaid days provided by the hospital in 1991, adding the products, then dividing the resulting sum by the total number of Medicaid days in 1991 for all hospitals/units in the group.

STATE Louisiana
DATE RECD 9-30-97
DATE APPVD 6-6-01
DATE EFF 8-1-97
HCFA 179 TN 97-20

Step 5 - Determination of hospital-specific component.
Each hospital's movable equipment cost component was set at the lower of the hospital's blended rate or the capped weighted average for the peer group.

The inflation factor is applied annually.

d. **Operating cost.**

Step 1 - Peer grouping.
Separate operating cost component caps were established for each general hospital peer group, specialty hospital peer group and specialty unit peer group. In the case of a group with only one hospital, the hospital specific cost is used.

Step 2 - Supplementation.
Operating cost for each hospital was inflated from the midpoint of the base year to the midpoint of the implementation year (December 31, 1994), then arrayed by peer group from high to low to determine the weighted median cost for the peer group. In peer groupings with less than three facilities, the median is used. In the case of a group with only one facility, the facility-specific cost is used. For those hospitals below the weighted median, the operating cost was supplemented by 25% of the difference between the hospital-specific cost per day and the median cost per day for the peer group.

Step 3 - Cap calculation.
Operating cost for each hospital as determined in Step 2 was arrayed by peer group from high to low to determine the weighted median cost for the peer group. Operating cost for each hospital/unit above the weighted median was capped at the weighted median. Exception: Long term hospitals are capped at the 30th percentile facility as reported on the as-filed cost report for the hospital cost report year ending between July 1, 1995 through June 30, 1996.

Step 4 - Calculation of blended component.
A blended component for each hospital was calculated comprised of 70% of the peer group weighted median and 30% of the hospital-specific component (as supplemented in Step 2 and capped in Step 3).

Step 5 - Calculation of capped weighted average.
A capped weighted average for each peer group was calculated by multiplying the per diem cost for each hospital (as supplemented in Step 2 and capped in Step 3) by the number of Medicaid days provided by the hospital in 1991, adding the products, then dividing the resulting sum by the total number of Medicaid days in 1991 for all hospitals/units in the group.

Step 6 - Determination of hospital-specific component.
Each hospital's operating cost component was set at the lower of the hospital's blended rate or the capped weighted average for the peer group.

The inflation factor is applied annually.

STATE Louisiana
DATE RECD 9-30-97
DATE APPVD 6-6-01
DATE EFF 8-1-97
HCFA 179 TN 97-20

6. Calculation of Payment Rates

Individual facility rates are calculated annually by adding together the four components listed above for each facility.